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03 FEB 25 PM 11:57
TN REGULATORY AUTHORITY
DOCKET ROOM

D. Billye Sanders
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February 25, 2003

Via Hand-Delivery

Sara Kyle
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

**Re: Petition of Kentucky Utilities Company for an Order
Authorizing the Issuance of Securities and the
Assumption of Obligations**

03-00146

Dear Chairman Kyle:

Enclosed you will find the original and 13 copies of the above referenced Petition from Kentucky Utilities Company and a check for \$25 for the filing fee.

Please contact me if you have any questions or need additional information.

Sincerely,



D. Billye Sanders

DBS:lmb

Enclosures

cc: Russell Perkins, Esq., Consumer Advocate and Protection Division
Kendrick R. Riggs, Esq.
John Wade Hendricks, Esq.
Lisa Ann Vogt
Linda S. Portasik, Esq.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN THE MATTER OF THE PETITION OF)
KENTUCKY UTILITIES COMPANY)
FOR AN ORDER AUTHORIZING THE)
ISSUANCE OF SECURITIES AND THE)
ASSUMPTION OF OBLIGATIONS)

Docket No. 03-_____

PETITION

Kentucky Utilities Company ("KU" or the "Company") hereby requests, pursuant to T.C.A. § 65-4-109, that the Tennessee Regulatory Authority ("TRA" or "Authority") authorize the issuance of securities, assumption of obligations and entrance into all necessary agreements and other documents relating thereto as more fully described herein. Specifically, KU requests authority to obtain long-term debt financing from an affiliate within the E.ON AG ("E.ON") registered holding company system. In support of this Petition, KU states as follows:

1. The Company's full name is Kentucky Utilities Company. The post office address of the Company is 1 Quality Street, Lexington, Kentucky 40507. KU is a Kentucky and a Virginia corporation, a public utility as defined by T.C.A. § 65-4-101, and provides retail electric service to five customers in Tennessee generating total revenue of \$2,584.44 in 2002. The Company also provides retail electric services to approximately 507,000 customers in seventy-seven counties in Kentucky and five counties in southwest Virginia. A description of KU's properties is set out in Exhibit 1 to this Petition.

2. This Petition relates to the issuance of long-term debt by KU to an affiliate within E.ON's registered holding company system. The new long-term debt would be used for the purpose of reducing the Company's existing and anticipated short-term debt. Unless the

Company obtains long-term financing, its short-term debt will increase significantly because of necessary expenditures for maturing long-term debt, paying for certain costs of the Company's pollution control program and, subject to necessary regulatory approval in a separate proceeding, acquisition of new facilities. While the amount of the requested long-term debt represents a portion of the overall costs of these uses, the Company proposes to incur long-term debt in a limited number of tranches that will not necessarily correspond in timing with the preceding uses of short-term debt. All of these uses are described in greater detail below.

Description Of KU's Position Within The Holding Company And The Affiliate

3. E.ON North America Inc. ("E.ON NA") is a subsidiary of E.ON. LG&E Energy Corp. ("LG&E Energy") is owned indirectly by Powergen plc (now known as Powergen Limited), which is an indirect subsidiary of E.ON. The Company is a wholly-owned subsidiary of LG&E Energy. Fidelia Corporation ("Fidelia"), a finance company subsidiary organized in Delaware, is a subsidiary of E.ON NA. Fidelia lends money to companies in the E.ON registered holding company system and upon request of the Company would lend money to the Company for the purposes set out in this Petition.

Description Of The New Long-Term Debt

4. The Company proposes to borrow money from Fidelia in an amount not to exceed \$250 million during the 2003 calendar year. The Company anticipates issuing fixed rate notes to Fidelia with final maturities between two and twelve years. The current expectation is to issue notes totaling \$100 million as soon as possible following receipt of all required regulatory approvals. The remaining \$150 million will be issued later in 2003, but probably before the end

of the third calendar quarter. Such borrowings would only occur if the interest rate on the loan would result in an equal or lower cost of borrowing than the Company could obtain in a loan from E.ON or in the capital markets on its own. All borrowings by the Company from Fidelia would be at the lowest of: (i) E.ON's effective cost of capital; (ii) Fidelia's effective cost of capital; or (iii) the Company's effective cost of capital determined by reference to the effective cost of a direct borrowing by the Company from an independent third party for a comparable term loan that could be obtained at the time of the loan (the "Best Rate Method"). The Best Rate Method assures the Company that it will not pay more for a loan from Fidelia than it would pay in the capital markets for a similar loan. The Company's Treasury group has evaluated its capital requirements for 2003 and the appropriate sources of capital available to it (both existing and potential). The Company has determined that it is cost effective to borrow money from Fidelia through this intercompany loan facility and desires to take advantage of this opportunity.

5. The interest rate on the notes will be set at the time of issuance and would depend on the maturity of the notes. The interest rate would be the lower of (a) the average of three quotes obtained by Fidelia from international investment banks for an unsecured bond issued by E.ON with the applicable term of the loan or (b) the average of three quotes obtained by the Company from international investment banks for a first mortgage bond issued by the Company with the applicable term of the loan. This method complies with the Best Rate Method because this rate would be determined using the lowest of the average of actual quotes obtained based on the credit of E.ON or the credit of the Company.

6. The Company proposes to borrow money from Fidelia at intervals to correspond with its needs. The funds would be used for the purpose of reducing the Company's existing and anticipated short-term debt which would otherwise increase significantly as discussed herein.

However, there would not be an exact matching between the incurrence of short-term debt and the issuance of long-term debt. Rather, because the Company's short-term debt is essentially fungible, it is impossible to trace whether a given dollar of short-term debt was incurred for a specific purpose. The specific projects and uses of debt cited herein therefore represent causes for the increase in short-term debt, that the Company wishes to avoid, rather than direct and traceable uses of the debt authority that the Company requests.

7. KU currently has authority from the Securities and Exchange Commission ("SEC") to engage in unsecured long-term loan transactions with affiliates within the E.ON holding company system. KU will seek authority from the SEC to engage in secured loan transactions with its affiliates. If this authority is granted by the SEC, the intercompany loans will be secured as discussed below. If the SEC does not permit KU and its affiliates to engage in secured transactions, then the loans would be unsecured. Upon request, KU will provide to the Authority copies of all filings with the SEC and any related orders on this issue.

8. KU will request authority to engage in secured transactions from the SEC because of a limitation contained in its Articles of Incorporation requiring the consent of its preferred stockholders if KU's unsecured debt exceeds 25% of the sum of (a) secured debt plus (b) capital and surplus. A copy of the provisions in KU's Articles of Incorporation containing this limitation is attached as Exhibit 2. If KU were to issue the full amount of long-term debt required herein as unsecured debt, then, in conjunction with KU's unsecured short-term debt, this limitation could be exceeded. If KU were able to use secured debt, this limitation would not be implicated.

9. If KU is permitted to issue secured debt, then the debt would be secured by either (i) a subordinated lien on KU's personal property or (ii) a lien on KU's accounts receivable. The

subordinated lien is the Company's preference, but it will be subject to the SEC approval. A form of the Loan and Security Agreement evidencing the security interest with the form of note is attached as Exhibit 3. If LG&E is not permitted to issue secured debt then the form of the Loan Agreement and Note is attached as Exhibit 4.

10. The interest rate would be determined as described in paragraph 5 herein. As set out in Exhibit 5, intercompany loans from within the E.ON holding company system will result in equal or lower financing costs than are otherwise available. The term of the loan would range from two to twelve years as determined by the Company based on, among other things, the Company's financing needs. A note would be executed by the Company each time a loan was made by Fidelia to the Company stating the interest rate, maturity date and payment terms. Issuance expenses for the intercompany loans described herein will not exceed, in total, the sum of \$50,000.

11. The Company would continue to comply with the cost of money, maturity and issuance expense provisions of the General Financing Parameters of the SEC Order.

Existing Short-Term Debt

12. KU participates in a "money pool" arrangement with various affiliates within its registered holding company organization whereby it has the ability to incur up to \$400,000,000 of short-term indebtedness through the issuance of unsecured promissory notes, commercial paper, and/or borrowings under a money pool agreement. This arrangement has been approved by the SEC, and because KU operates as a utility in Virginia, by the Virginia State Corporation Commission as an affiliate transaction. Because only short-term debt is involved, the arrangement is not specifically subject to the approval of this Authority.

13. KU's debt under the money pool arrangement, as of November 30, 2002 was \$112.1 million, and unless alternative financing is obtained, would be expected to increase significantly by the end of calendar year 2003. Currently, long-term interest rates are at or near 10 years lows. This environment provides the Company with an opportunity to reduce its exposure to the risk of rising interest rates embedded in its current portfolio of floating rate short-term debt. The use of intercompany loans allows the Company to more rapidly convert to fixed rate debt and minimizes the costs of doing so.

Maturing Long-Term Debt

14. On June 15, 2003, KU's 6.32% First Mortgage Bonds, Series Q, issued June 29, 1993 (the "Existing Bonds"), in the principal amount of \$62,000,000.00 will mature. A section of the offering circular for the Existing Bonds showing this maturity date is attached as Exhibit 6. The Existing Bonds were originally sold for \$62,000,000, with proceeds to KU of \$61,597,000 after deducting underwriting discounts and commissions. Expenses associated with this sale were \$95,333. The Existing Bonds were used to provide part of the refinancing for (i) KU's Series H, 7.625% First Mortgage Bonds issued in May, 1969 at 100.483% of face value, for which KU received proceeds, after deducting underwriting discounts and commissions, totaling \$25,152,750.00 and incurred expenses relating to the issuance of the securities in the amount of \$52,326.00, (ii) KU's Series I, 8.750% First Mortgage Bonds issued in April, 1970 at 101.604% of face value, for which KU received proceeds, after deducting underwriting discounts and commissions, totaling \$30,192,000.00 and incurred expenses relating to the issuance of the securities in the amount of \$46,379.00, (iii) KU's Series J, 7.62% First Mortgage Bonds issued in September, 1971 at 102.087% of face value, for which KU received proceeds, after deducting

underwriting discounts and commissions, totaling \$35,387,800.00 and incurred expenses relating to the issuance of the securities in the amount of \$57,242.00, and (iv) KU Series N, 8.5% First Mortgage Bonds issued in April, 1977 at 101.642% of face value, for which KU received proceeds, after deducting underwriting discounts and commission, totaling \$30,282,900.00 and incurred expenses relating to the issuance of the securities in the amount of \$108,706.00. The proceeds of KU's Series H, First Mortgage Bonds were used to reduce short-term borrowings in connection with KU's construction program. The proceeds of KU's Series I, First Mortgage Bonds were used to pay part of the cost of KU's construction program and to repay short-term borrowings. The proceeds of KU's Series J, First Mortgage Bonds were used to reduce short-term borrowings in connection with KU's construction program. The proceeds of KU's Series N, First Mortgage Bonds, were used to redeem KU's Series A, First Mortgage Bonds and to repay short-term borrowings.

15. Because the Existing Bonds will mature on June 15, 2003, the Company must obtain replacement financing, either through short-term debt, such as the Money Pool, or through more stable long-term financing from sources either within or outside the E.ON holding company system.

Acquisition of Combustion Turbines

16. KU proposes to utilize the intercompany loans discussed herein for the purpose of financing its acquisition of combustion turbines at the Trimble County generating station. KU applied for a Certificate of Public Convenience and Necessity in Kentucky Public Service Commission ("KPSC") Case No. 2002-00381 (Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and

Necessity for the Acquisition of Four Combustion Turbines and a Site Compatibility Certificate for the Facility). If KPSC grants the certificate requested in KPSC Case No. 2002-00381, KU would finance an amount not to exceed \$70,000,000 under the authority granted herein. The facilities that KU proposes to acquire are described with greater specificity in the record in KPSC Case No. 2002-00381.

Cost Of Pollution Control Program

17. In KPSC Case No. 2000-439 (The Application of Kentucky Utilities Company for Approval of an Amended Compliance Plan for Purposes of Recovering the Cost of New and Additional Pollution Control Facilities and to Amend its Environmental Surcharge Tariff) by Orders dated May 14, 2001 and April 18, 2001, the KPSC approved KU's 2001 Amended Pollution Control Compliance Plan. Included within this plan were various costs and expenditures including an additional capital project for the following facilities:

- a. The addition of advanced low NOx burner systems for KU's Ghent 2 and 4 generating units.
- b. The addition of Selective Catalytic Reduction ("SCR") NOx reduction technology facilities for KU's Ghent 1, 3 and 4 and Brown 3 generating units.
- c. The addition of Neural Network Technology, Overfire Air Systems and Burner Modifications for KU's Brown 1 and 2, Ghent 1 and 2, Green River 3, Pineville 3 and Tyrone generating units.

KU had previously been granted necessary Certificates of Public Convenience and Necessity by Order dated June 22, 2000 in KPSC Case No. 2000-112 (Application of Kentucky Utilities Company and Louisville Gas and Electric Company for a Certificate of Public Convenience and

Necessity to Construct Selective Catalytic Reduction (SCR) NOx Control Technologies). The facilities that KU proposes to finance with the debt authority requested herein are described with greater detail in KPSC Case Nos. 2000-112 and 2000-439. KU proposes to finance up to approximately \$125 million of its 2001 Amended Pollution Control Compliance Plan Cost, with funds obtained pursuant to this Petition.

18. No contracts have been made for the disposition of any of the securities which KU proposes to issue, or for the proceeds of such issuance.

19. KU shall, as soon as reasonably practicable after the issuance of each Note referred to herein, file with the Authority a statement setting forth the date or dates of issuance of the Note, the proceeds of such Notes, the interest rates, and all fees and expenses involved in such issuance.

20. Exhibit 7 to this Application contains the financial exhibit filed with the KPSC.

21. Exhibit 8 to this Petition is a certified copy of KU's Board of Directors resolution authorizing the issuance of the Notes, and the transactions related thereto as discussed in this Petition. In the event that secured debt is used, additional resolutions authorizing the grant of security interest will be provided to the Authority as soon as possible.

WHEREFORE, Kentucky Utilities Company respectfully requests that the Authority enter its Order authorizing it to issue securities and to execute, deliver and perform the obligations of KU under the Loan Agreement and the Notes, as set forth in this Petition. KU further requests that the Order of the Authority specifically include provisions stating:

1. KU is authorized to issue and deliver its Notes in an aggregate principal amount not to exceed \$250 million in the manner set forth in its Petition.

2. KU is authorized to execute, deliver and perform the obligations of KU under, inter alia, the Loan Agreement with Fidelia Corporation, the Notes, and such other agreements and documents as set out in its Application, and to perform the transactions contemplated by such agreements.

Respectfully submitted,



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220 West Main Street
Louisville, KY 40202

Counsel for Kentucky Utilities Company

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

Daniel K. Arbough being first duly sworn, deposes and says that he is Treasurer for Kentucky Utilities Company, that he has read the foregoing Application and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.



DANIEL K. ARBOUGH

Subscribed and sworn before me this 21st day of February, 2003.

My Commission Expires: 8-31-03



NOTARY PUBLIC, STATE AT LARGE

CERTIFICATE OF SERVICE

I hereby certify that on this 25 day of February, 2003, a true and correct copy of the foregoing Petition was served on the person below by placing same in the U.S. mail, postage pre-paid:

Russell Perkins, Esq.
Consumer Advocate and Protection Division
Office of Attorney General
Cordell Hull Building
426 5th Avenue North
Nashville, TN 37243-0500


D. Billye Sanders

EXHIBIT 1

KENTUCKY UTILITIES COMPANY
(807 KAR 5:001, Section 11, Item I (a))

A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING A
STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY
AND THE COST THEREOF TO APPLICANT

NOVEMBER 30, 2002

The applicant owns and operates four coal fired steam electric generating stations having an estimated total effective capacity, with all equipment in service, of about 3,008,000 Kw; a hydroelectric generating station having an estimated total effective capability of about 24,000 Kw; and thirteen gas/oil peaking units having an estimated total effective capability of about 1,104,000 Kw.

The applicant's owned electric transmission system includes 112 substations with a total capacity of approximately 14,855,396 Kva and approximately 4,414 pole miles of lines, The electric distribution system includes 438 substations with a total capacity of approximately 5,046,307 Kva, and 15,036 pole miles of overhead lines.

Other properties include office buildings, service centers, warehouses, garages, and other structures and equipment.

The net original cost of the property and cost thereof to the applicant at November 30, 2002, was:

	<u>Utility Plant</u>	
Original Cost		
Intangible Plant	\$	17,423,193
Production Plant		1,632,013,919
Transmission Plant		451,607,351
Distribution Plant		896,335,991
General Plant		78,265,952
Transportation Plant		23,749,239
Construction Work in Progress		157,386,332
Total Plant at Original Cost	\$	3,256,781,977
Less Reserve for Depreciation		1,538,958,828
Net Original Cost	\$	1,717,823,149

(c) Issue any shares of Preferred Stock, or shares of any stock ranking on a parity with the Preferred Stock, or any securities convertible into shares of such stock, *other than in exchange for*, or for the purpose of effecting the redemption or other retirement of, shares of Preferred Stock, or of any stock ranking prior thereto or on a parity therewith, or both, at the time outstanding having an aggregate amount of par or stated value of not less than the aggregate amount of par or stated value of the shares to be issued, unless

(i) the net income of the corporation (determined in accordance with generally accepted accounting principles) plus all amounts representing interest charges and all amounts for or in respect of taxes based on or measured by income shall, for a period of twelve consecutive calendar months within the fifteen calendar months next preceding the issue of such shares, have been at least one and one-half (1½) times the sum of (x) the interest for one year, adjusted by provision for amortization of debt discount and expense or of premium, as the case may be, on all funded indebtedness and notes payable of the corporation maturing more than twelve months after the date of issue of such shares or convertible securities which shall be outstanding at the date of the issue of said shares or convertible securities, and (y) an amount equal to the dividend requirement for one year on all shares of the Preferred Stock of all series and on all other shares of stock, if any, ranking prior to or on a parity with the Preferred Stock, which shall be outstanding after the issue of the shares or convertible securities proposed to be issued; and

(ii) the capital represented by the Common Stock plus the surplus accounts of the corporation shall be not less than the aggregate amount payable on the involuntary dissolution, liquidation or winding up of the corporation, in respect of all shares of the Preferred Stock of all series and all shares of stock, if any, ranking prior thereto, or on a parity therewith, which shall be outstanding after the issue of the shares or convertible securities proposed to be issued.

No consent of the holders of the Preferred Stock shall be required in respect of any transaction enumerated in this paragraph (5) if, at or prior to the time when such transaction is to take effect, provision is made for the redemption or other retirement of all shares of the Preferred Stock at the time outstanding, the affirmative vote of which would otherwise be required hereunder.

(6) So long as any shares of the Preferred Stock of any series are outstanding, the corporation [except as otherwise provided in the last sentence of this paragraph (6)] shall not, without the affirmative vote of the record holders of shares of the Preferred Stock of all series at the time outstanding having in the aggregate a number of votes, calculated as provided in paragraph (2) of Division IV, at least equal to a majority of the total number of votes, as so calculated, possessed by all such holders:

(a) Issue or assume any unsecured indebtedness (as hereinafter defined) for any purpose, *other than* the refunding of secured or unsecured indebtedness theretofore created or assumed by the corporation and then outstanding or the retiring, by redemption or otherwise, of shares of the Preferred Stock or shares of any stock ranking prior thereto or on a parity therewith, if immediately after such issue or assumption the total principal amount of all unsecured indebtedness issued or assumed by the corporation and then outstanding would exceed twenty-five per centum (25%) of the aggregate of (i) the total principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the corporation and then outstanding and (ii) the total of the capital and surplus of the corporation, as then recorded on its books; or

(b) Merge or consolidate with any other corporation or corporations, or sell or lease all or substantially all of the assets of the corporation, unless such merger, consolidation or sale or lease or the issue or assumption of all securities to be issued or assumed in connection therewith shall have been ordered, approved or permitted by all regulatory bodies, federal and state, then having jurisdiction in the premises.

"Unsecured indebtedness" as the term is used in this paragraph (6) shall mean all unsecured notes, debentures or other securities representing unsecured indebtedness (whether having a single maturity,

serial maturities or sinking fund or other similar periodic principal or debt retirement payment provisions) which have a final maturity date, determined as of the date of issuance or assumption thereof by the corporation, of less than three years. No consent of the holders of the Preferred Stock shall be required in respect to any transaction enumerated in this paragraph (6) if, at or prior to the time when such transaction is to take effect, provision is made for the redemption or other retirement of all shares of the Preferred Stock at the time outstanding, the affirmative vote of which would otherwise be required hereunder.

(7) No provision contained in the foregoing paragraphs (5) and (6) is intended or shall be construed to relieve the corporation from compliance with any applicable statutory provision requiring the vote or consent of a greater number of the holders of the outstanding shares of the Preferred Stock.

(8) So long as any shares of the Preferred Stock are outstanding, the corporation shall not pay any dividends on its Common Stock (other than dividends payable in Common Stock) or make any distribution on or purchase or otherwise acquire for value any of its Common Stock (each such payment, distribution, purchase and/or acquisition being herein referred to as a "Common Stock dividend"), except to the extent permitted by the following provisions of this paragraph (8):

(a) No Common Stock dividend shall be declared or paid in an amount which, together with all other Common Stock dividends declared in the year ending on (and including) the date of the declaration of such Common Stock dividend, would in the aggregate exceed fifty per centum (50%) of the net income of the corporation available for dividends on its Common Stock for the twelve consecutive calendar months ending on the last day of the calendar month next preceding the declaration of such Common Stock dividend, if at the end of such calendar month the ratio (herein referred to as the "capitalization ratio") of the Common Stock equity (as hereinafter defined) of the corporation, to the total capital (as hereinafter defined) of the corporation shall be less than twenty per centum (20%).

(b) If such capitalization ratio, determined as aforesaid, shall be twenty per centum (20%) or more, but less than twenty-five per centum (25%), no Common Stock dividend shall be declared or paid in an amount which, together with all other Common Stock dividends declared in the year ending on (and including) the date of the declaration such Common Stock dividend, would exceed seventy-five per centum (75%) of the net income of the corporation available for dividends on its Common Stock for the twelve consecutive calendar months ending on the last day of the calendar month next preceding the declaration of such Common Stock dividend.

(c) If such capitalization ratio, determined as aforesaid, shall be twenty-five per centum (25%) or more, no Common Stock dividend shall be declared or paid which would reduce such capitalization ratio to less than twenty-five per centum (25%), except to the extent permitted by the next preceding paragraphs (a) and (b) hereof.

"Common Stock equity," as that term is used in this paragraph, shall consist of the sum of (i) the capital represented by the issued and outstanding shares of Common Stock (including premiums on Common Stock) and (2) the surplus accounts of the corporation, less (i) any known, or estimated if not known, excess of the value, as recorded on the corporation's books, over the original cost, of used and useful utility plant and other property, unless (a) such excess is being amortized or provided for by reserves, or (b) such excess has been held, by final order of a court having jurisdiction or of the regulatory bodies having jurisdiction, to constitute an asset which need not be amortized or provided for by reserves, and (ii) any excess of the aggregate amount payable on the involuntary dissolution, liquidation, or winding up of the corporation, in respect of its outstanding shares of preference stocks of all classes over the aggregate par value of, or if without par value over the capital represented by, such preference stocks unless such excess is being amortized or provided for by reserves, and (iii) any items such as debt discount, premium and expense, capital stock discount and expense and similar items, classified as assets on the balance sheet of the corporation, unless such items are being amortized or provided for by reserves. The "total capital of the corporation" shall consist of the sum of (i) the principal amount of all

LOAN AND SECURITY AGREEMENT

Dated as of _____, 2003

between

[LOUISVILLE GAS AND ELECTRIC COMPANY]

[KENTUCKY UTILITIES COMPANY]

and

FIDELIA CORPORATION

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EXHIBITS

EXHIBIT A — Form of Note

LOAN AND SECURITY AGREEMENT

This LOAN AND SECURITY AGREEMENT, dated as of _____, 2003 (this "Agreement"), is made between [LOUISVILLE GAS AND ELECTRIC COMPANY] [KENTUCKY UTILITIES COMPANY], a Kentucky [and Virginia] corporation, as borrower (the "Borrower"), and FIDELIA CORPORATION, a Delaware corporation, as lender (the "Lender").

WITNESSETH:

WHEREAS, the Borrower has requested that the Lender provide the Borrower with term loans;

WHEREAS, to induce the Lender to make such term loans available to the Borrower, the Borrower has agreed to secure its obligations to the Lender by granting the Lender a security interest in, and lien upon, the Collateral (as defined herein); and

WHEREAS, the Lender is willing to make such term loans available to the Borrower upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained in this Agreement, the Borrower and the Lender agree as follows:

1. DEFINITIONS.

1.1 General Terms. When used in this Agreement, the following terms have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Affiliate", with respect to any Person, means another Person (i) that directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with such Person, (ii) that directly or beneficially owns or holds 5% or more of any class of the voting stock of such Person or (iii) 5% or more of the voting stock (or in the case of a Person that is not a corporation, 5% or more of the equity interest) of which is owned directly or beneficially or held by such Person.

"Agreement" has the meaning set forth in the preamble.

"Authorized Officer" means at any time an individual whose signature has been certified to the Lender on behalf of the Borrower by a certificate now or hereafter executed on behalf of the Borrower and delivered to the Lender and whose authority has not been revoked prior to such time.

"Bond Trustee" means [Harris Trust and Savings Bank, as trustee] [U.S. Bank National Association, as successor trustee] under the First Mortgage Bond Indenture, or any successor trustee thereunder.

"Borrower" has the meaning set forth in the preamble.

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for business in Louisville, Kentucky and Wilmington, Delaware.

"Code" means the Uniform Commercial Code of the Commonwealth of Kentucky as in effect on the Closing Date.

"Collateral" has the meaning set forth in Section 4.1.

"Default" means any event that, with lapse of time or notice or lapse of time and notice, will constitute an Event of Default if it continues uncured.

"Dollars" and the **"\$"** each means lawful money of the United States of America.

"Equipment" has the meaning set forth in the Code and includes, without limitation, any and all of the Borrower's now owned or hereafter acquired machinery, equipment, furniture, furnishings and all tangible personal property similar to any of the foregoing (other than Inventory), together with all improvements, accessions and appurtenances thereto and any proceeds of any of the foregoing, including insurance proceeds and condemnation awards, excluding, however, any Equipment which is not subject to a Lien now or at any time hereafter pursuant to the First Mortgage Bond Indenture.

"Event of Default" means the occurrence or existence of any one of more of the events described in Section 7.1.

"First Mortgage Bond Indenture" means the [Trust Indenture dated November 1, 1949] [Indenture of Trust dated as of May 1, 1947] from the Borrower to the Bond Trustee, and any and all supplemental indentures thereof, as further amended and supplemented from time to time.

"GAAP" means generally accepted accounting principles, as in effect in the United States from time to time.

"Governmental Authority" means any nation or government, any federal, state, local or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Lender" has the meaning set forth in the preamble.

"Liabilities" means all of the Borrower's liabilities, obligations, and indebtedness to the Lender for monetary amounts, whether now or hereafter owing, arising, due or payable under this Agreement and the Notes howsoever evidenced, created, incurred, acquired, or owing.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, collateral deposit arrangement, security interest, encumbrance for the payment of money, lien (statutory or other), preference, right of setoff, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement, or the interest of a lessor under a capital lease.

"Loan" has the meaning set forth in Section 2.1.

"Loan Account" has the meaning set forth in Section 2.9.

"Material Adverse Effect" means a material adverse effect upon (i) the business, assets, properties or condition (financial or otherwise), or results of operations of the Borrower, or (ii) upon the ability of the Borrower to perform or cause to be performed any of its obligations under this Agreement or the rights or remedies of the Lender under this Agreement.

"Note" has the meaning set forth in Section 2.5.

"Permitted Lien" means Liens created under or in connection with the First Mortgage Bond Indenture and Liens permitted by the First Mortgage Bond Indenture.

"Person" means any natural person, firm, enterprise, institution, corporation, association, partnership, trust, unincorporated organization, sole proprietorship, joint venture, limited liability company or Governmental Authority.

1.2 Accounting Terms. Any accounting terms used in this Agreement which are not specifically defined in this Agreement have the meanings customarily given them in accordance with GAAP.

1.3 Others Terms Defined in the Code. All other terms contained in this Agreement (and which are not otherwise specifically defined in the Agreement) have the meanings provided by the Code to the extent the same are used or defined in the Code.

1.4 Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the words "from" or "commencing on" means "from and including" and the words "to," "through," "ending on" and "until" each mean "to but excluding."

1.5 Headings and References. Section and other headings are for reference only, and shall not affect the interpretation or meaning of any provision of this Agreement. Any Section or clause references are to this Agreement, unless otherwise specified. References in this Agreement or any other agreement include this Agreement and other agreements as the same may be amended, restated, supplemented or otherwise modified from time to time pursuant to the provisions hereof or thereof. A reference to any law, statute or regulation shall mean that law, statute or regulation as it may be amended, supplemented or otherwise modified from time to time, and any successor law, statute or regulation.

2. TERM LOANS.

2.1 Loans. The Lender, at its discretion, may make available to the Borrower term loans (the "Loans") from time to time pursuant to this Agreement, upon telephonic or written communication of a borrowing request from the Borrower as provided in Section 2.2.

2.2 Request for Loans. The Borrower may from time to time make requests for Loans (each such request being a "Borrowing Notice") hereunder. Each Borrowing Notice shall (i) specify the principal amount of the Loan requested, (ii) specify the final maturity not to be less than one year from the Borrowing Date, (iii) specify the proposed date for the borrowing of

the Loan (the "Borrowing Date"), (iv) specify whether the Loan shall bear interest at a fixed rate or a floating rate, (v) specify the dates on which interest is to be paid, and (vi) specify the number of the account and the name and address of the depository institution to which the proceeds of the Loan are to be transferred on the Borrowing Date. Each Borrowing Notice may be given telephonically or in writing. Each such request for a Loan is subject to acceptance by the Lender, in its sole discretion.

2.3 Interest.

(A) **Interest Rate.** The interest rate payable by the Borrower on any Loan shall be set at such interest rate as the Borrower and the Lender shall agree, but in no event greater than the lowest of (i) the effective cost of capital of E.ON AG, (ii) the effective cost of capital of the Lender and (iii) the Borrower's effective cost of capital determined by reference to the effective cost of a direct borrowing by the Borrower from a nonassociate for a comparable term loan that could be entered into at such time. Such interest rate may be determined as a fixed interest rate or a floating rate, as specified by the Borrower in the Borrowing Notice.

(B) **Interest Payments.** Accrued but unpaid interest on each Loan is payable in arrears on dates agreed to by the Borrower and the Lender as specified in the Borrowing Notice and upon payment in full of such Loan.

(C) **Highest Lawful Rate.** In no contingency or event whatsoever will interest charged on the Loans, however, such interest may be characterized or computed, exceed the highest rate permissible under any law which a court of competent jurisdiction, in a final determination, deems applicable to the Loans. In the event that such a court determines that the Lender has received interest under the Loans in excess of the highest rate applicable to the Loans, any such excess interest collected by the Lender is deemed to have been a repayment of principal and will be so applied.

2.4 Notes. On each Borrowing Date, the Borrower shall issue to the Lender a promissory note (the "Notes") in a principal amount equal to the principal amount of the Loan to be made on such Borrowing Date; to bear interest on the unpaid balance thereof from the date thereof at the rate per annum as determined in accordance with Section 2.3(A); and to be substantially in the form of Exhibit A attached hereto. The term "Notes" as used herein shall include each Note delivered pursuant to this Agreement and each Note delivered in substitution or exchange for any such Note.

2.5 Closings. Not later than 11:30 A.M. (New York City local time) on the Borrowing Date for any Loan, the Borrower will deliver to the Lender at the offices of the Lender, a Note dated the Borrowing Date, evidencing the Loan to be made on such Borrowing Date, against payment of the Loan proceeds by transfer of immediately available funds for credit to the Borrower's account specified in the Borrowing Notice.

2.6 Payments.

(A) **Place of Payments.** The Borrower will make each payment under this Agreement and under the Notes not later than 2:00 p.m. (New York time) on the day when due to the Lender at its address set forth in Section 9.3 in immediately available funds. The Borrower's

obligations to the Lender with respect to such payments will be discharged by making such payments to the Lender under this Section 2.6.

(B) Timing of Payments. If any payment of any interest or fees owing under this Agreement falls due on a day that is not a Business Day, then such due date is extended to the next following Business Day.

(C) Optional Prepayments. On any interest payment date, and with at least three business day's prior written notice, the Borrower shall be entitled to prepay any amount of the loan outstanding, provided such payment is not less than \$1,000,000 and, provided further, the Borrower shall pay a prepayment charge equal to the present value of the difference between (i) the interest payable provided in this loan agreement and (ii) the interest payable at the prevailing interest rate at the time of prepayment, for the period from the date of prepayment through the final maturity date, which difference, if negative, shall be deemed to be zero. The present value will be determined using the prevailing interest rate at the time of the prepayment as the discount rate.

2.7 Term of This Agreement. This Agreement shall remain in full force and effect until the second Business Day after the Borrower or the Lender gives notice to the other party hereto stating that it elects to terminate this Agreement. Notwithstanding the termination of this Agreement, until all of the Loans under this Agreement have been paid in full and all financing arrangements between the Borrower and the Lender under this Agreement have been terminated, all of the Lender's rights and remedies under this Agreement survive and the Lender is entitled to retain its security interest in and to all existing and future Collateral.

3. CONDITIONS OF ADVANCES.

Notwithstanding any other provisions contained in this Agreement to the contrary, the making of each Loan provided for in this Agreement is conditioned upon the following:

3.1 Documents. The Lender has received all of the following (or the delivery of such has been waived), each duly executed, in form and substance satisfactory to the Lender, and delivered on or prior to the applicable Borrowing Date:

- (i) This Agreement, duly executed by the Borrower.
- (ii) The Note, evidencing such Loan, duly executed by the Borrower.
- (iii) UCC-1 financing statements listing the Borrower as debtor, and the Lender, as secured party, covering the Collateral.
- (iv) Certified copies of all documents evidencing any necessary corporate action, consents and governmental approvals, if any, with respect to this Agreement and the Notes.
- (v) A signature authorization certificate for the Borrower.
- (vi) Such other documents as the Lender may reasonably request.

3.2 No Default. No Default or Event of Default has occurred and is continuing.

3.3 Reaffirmation of Representations and Warranties . The representations and warranties contained in Section 5 are true and correct in all material aspects on and as of the Borrowing Date.

4. COLLATERAL.

4.1 Security Interest. To secure payment of the Liabilities and performance of its obligations under this Agreement and the Notes, the Borrower grants, mortgages, hypothecates and pledges to the Lender a continuing lien upon and security interest in all of the Borrower's right, title and interest in the Collateral, wherever located, whether now or hereafter existing, owned, licensed, leased (to the extent of the Borrower's leasehold interest in such property), consigned (to the extent of the Borrower's ownership interest in such property), arising or acquired, subject, however, in all respects to the provisions of Section 8. The "Collateral" shall consist of: (i) the Equipment; (ii) all insurance proceeds of or relating thereto, (iii) all of the Borrower's books and records relating to any of the foregoing; and (iv) all accessions and additions to, substitutions for, and replacements, products and proceeds of any of the foregoing.

4.2 Appointment of the Lender as the Borrower's Attorney-in-Fact. The Borrower irrevocably designates, makes, constitutes and appoints the Lender (and all persons designated by the Lender) as the Borrower's true and lawful attorney-in-fact, and authorizes the Lender, in the Borrower's or the Lender's name, upon the occurrence and during the continuation of an Event of Default, with respect to any item of Collateral or the proceeds of such Collateral, to do all acts and things which are necessary, in the Lender's sole discretion, to fulfill the Borrower's obligations under this Agreement.

4.3 Preservation of Collateral and Perfection of Security Interests. The Borrower will execute and deliver, or cause to be executed and delivered, to the Lender at any time or times after the date of this Agreement at the request of the Lender, all (i) financing statements or (ii) other documents (and, in each case, pay the cost of filing or recording the same in all public offices deemed necessary by the Lender), as the Lender may request, in a form satisfactory to the Lender, to perfect and keep perfected the security interest, and preserve the priority of such security interest, in the Collateral granted by the Borrower to the Lender or to otherwise protect and preserve the Collateral and the Lender's security interest in the Collateral. Should the Borrower fail to do so, the Lender is authorized to sign any such financing statements as the Borrower's agent. The Borrower further agrees that a carbon, photographic or other reproduction of this Agreement or of a financing statement is sufficient as a financing statement.

4.4 Reasonable Care. The Lender is deemed to have exercised reasonable care in the custody and preservation of any of the Collateral in its possession if it takes such action for that purpose as the Borrower requests in writing, but the Lender's failure to comply with any such request will not of itself be deemed a failure to exercise reasonable care.

4.5 Termination of Security Interest and Liens. The Lender's security interest and other liens in, on and to the Collateral terminates when all the Liabilities have been paid in full and this Agreement has been terminated, at which time the Lender will reassign and redeliver (or

cause to be reassigned and redelivered) to the Borrower, or to such Person as the Borrower designates, against receipt, such of the Collateral (if any) assigned by the Borrower to the Lender (or otherwise held by the Lender) as has not been sold or otherwise applied by the Lender under the terms of this Agreement and is still held by it under this Agreement, together with appropriate instruments of reassignment and release. Any such reassignment is without recourse upon or representation or warranty by the Lender and will be at the Borrower's cost and expense.

5. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants that as of the date of this Agreement and as of each Borrowing Date.

5.1 Existence. The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Kentucky [and the Commonwealth of Virginia] and is duly qualified as a foreign entity and is in good standing in all jurisdictions where the nature and extent of the business transacted by it or the ownership of its assets makes such qualification necessary, except for those jurisdictions in which the failure so to qualify or to be in good standing would not have a Material Adverse Effect.

5.2 Authority. The execution and delivery by the Borrower of this Agreement and the Notes and the performance of the Borrower's obligations under this Agreement and the Notes: (i) are within the Borrower's corporate powers; (ii) are duly authorized by the Borrower's board of directors or other governing body; (iii) are not in contravention of the terms of the Borrower's certificate of incorporation or bylaws or of any material indenture, agreement or undertaking to which the Borrower is a party or by which the Borrower or any of its property is bound; (iv) does not require any consent, registration or approval of any Governmental Authority, which has not been obtained; (v) does not contravene any material contractual or governmental restriction binding upon the Borrower; and (vi) will not, except as contemplated in this Agreement, result in the imposition of any Lien, claim or encumbrance upon any property of the Borrower under any existing material indenture, mortgage, deed of trust, loan or credit agreement or other material agreement or instrument to which the Borrower is a party or by which it or its property may be bound or affected.

5.3 Binding Effect. This Agreement and the Notes are the legal, valid and binding obligations of the Borrower and are enforceable against the Borrower in accordance with their respective terms.

5.4 Financial Statements. The financial statements of the Borrower filed with the Securities and Exchange Commission since December 31, 2001 are in accordance with the books and records of the Borrower and fairly present the financial condition of the Borrower at the dates of such financial statements and the results of operations for the periods indicated (subject, in the case of unaudited financial statements, to normal year-end adjustments), and such financial statements were prepared in conformity with GAAP (other than the absence of notes to such financial statements).

5.5 Collateral. Except for Permitted Liens and as otherwise provided in Section 8.5, all of the Collateral is and will continue to be owned by the Borrower free and clear of all Liens, claims and encumbrances.

5.6 Chief Executive Office Jurisdiction of Incorporation. As of the date hereof, the principal place of business and chief executive office of the Borrower is located at [220 West Main Street, Louisville, Kentucky 40202] [1 Quality Street, Lexington, Kentucky 40507] and the Borrower has been duly incorporated in the Commonwealth of Kentucky [and the Commonwealth of Virginia].

5.7 Other Corporate Names. The Borrower has not used any other corporate or fictitious names in the past five years.

5.8 Margin Security. The Borrower owns no margin security and none of the proceeds of the Loans advanced under this Agreement will be used for the purpose of purchasing or carrying any margin securities or for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase any margin securities or for any other purpose not permitted by Regulations T, U or X of the Board of Governors of the Federal Reserve System.

5.9 Survival of Warranties. All representations contained in this Agreement survive the execution and delivery of this Agreement.

5.10 Compliance with Laws and Regulations. The execution and delivery by the Borrower of this Agreement and the performance of the Borrower's obligations under this Agreement and the Notes are not in contravention of any laws. The Borrower is in compliance with all laws, orders, regulations and ordinances of all federal, foreign, state and local governmental authorities relating to the business, operations and the assets of the Borrower, including, without limitation, Regulations T, U and X of the Board of Governors of the Federal Reserve System, except for laws, orders, regulations and ordinances the violation of which are not likely to have a Material Adverse Effect.

6. COVENANTS.

The Borrower covenants and agrees that, so long as any of the Liabilities remain outstanding:

6.1 Financial Statements; Notices; Reports. The Borrower will keep, in all material respects, proper books of record and account in which entries will be made of all dealings or transactions of or in relation to the business and affairs of the Borrower, in accordance with GAAP consistently applied. The Borrower will furnish to the Lender:

(A) SEC Reports. Copies of annual reports and quarterly reports filed by the Borrower with the Securities and Exchange Commission on Forms 10-K and 10-Q, within 20 Business Days of the date of filing of such report;

(B) Default Notices. As soon as practicable (but in any event not more than two Business Days after any Authorized Officer of the Borrower obtains knowledge of the

occurrence of an event or the existence of a circumstance giving rise to a Default or an Event of Default), notice of any and all Defaults or Events of Default;

(C) Notice of Change of Name. Notice in writing to the Lender, as soon as practicable and in any event within five days after the occurrence of any change in the name, address or jurisdiction of incorporation of the Borrower or the location of the books and records of the Borrower; and

(D) Other Information. With reasonable promptness, such other business or financial data as the Lender may reasonably request.

The Lender will take reasonable efforts to keep such information, and all information acquired as a result of any inspection conducted in accordance with Section 6.2 (and any other information provided to the Lender under this Agreement), confidential, provided that the Lender may communicate such information (i) in accordance with the Borrower's written authorization, (ii) to any regulatory authority having jurisdiction over the Lender, (iii) to any other Person in connection with the exercise of the Lender's rights under this Agreement, (iv) to any Person in any litigation in which the Lender is a party or (v) to any other Person if the Lender believes in its sole discretion that disclosure is necessary in connection with any legal process or informal investigative demand, whether issued by a court, judicial or administrative or legislative body or committee or other governmental authority. Notwithstanding the foregoing, information will not be deemed to be confidential to the extent such information (a) is available in the public domain, (b) becomes available in the public domain other than as a result of unauthorized disclosure by the Lender or (c) is acquired from a Person not known by the Lender to be in breach of an obligation of secrecy to the Borrower.

6.2 Books, Records and Inspections. The Lender, or any agent or employee designated by the Lender in writing, has the right, from time to time after the date of this Agreement, to call at the Borrower's place or places of business (or any other place where the Collateral or any information relating to the Collateral is kept or located) during reasonable business hours and, without unreasonable hindrance or delay, (i) to inspect, audit, check and make copies of and extracts from the Borrower's books, records, journals, orders, receipts and any correspondence and other data relating to the Borrower's business or to any transactions between the parties thereto, (ii) to make such verification concerning the Collateral as the Lender may consider reasonable under the circumstances and (iii) to discuss the affairs, finances and business of the Borrower with any officers, employees or directors of the Borrower.

6.3 Conduct of Business. Except as contemplated in this Agreement, the Borrower will (i) maintain its existence, (ii) continue in, and limit its operations to, the same general lines of business as that presently conducted by it or other businesses reasonably related thereto and (iii) comply with all laws, orders, regulations and ordinances of any federal, foreign, state or local governmental authority, except for such laws, orders, regulations and ordinances the violation of which has no reasonable likelihood of having a Material Adverse Effect.

7. EVENTS OF DEFAULT, RIGHTS AND REMEDIES OF LENDER.

7.1 Events of Default. If any one or more of the following events ("Events of Default") occurs:

- (A) the Borrower fails to pay any of the principal of or interest on the Loans, or any Commitment Fees or other amounts due hereunder, within 10 Business Days after such amounts are due (whether by scheduled maturity, acceleration or otherwise);
- (B) the Borrower fails or neglects to perform, keep or observe any of its covenants, conditions or agreements contained in this Agreement;
- (C) any warranty or representation now or hereafter made by the Borrower under this Agreement is untrue or incorrect in any material respect when made;
- (D) a proceeding under any bankruptcy, reorganization, arrangement of debt, insolvency, readjustment of debt or receivership law or statute is filed by or against the Borrower, the Borrower makes an assignment for the benefit of creditors or the Borrower takes any requisite action to authorize any of the foregoing and, in the case of an involuntary proceeding filed against the Borrower, such proceeding is not discharged or dismissed within 30 days;
- (E) the Borrower voluntarily or involuntarily dissolves or is dissolved;
- (F) the Borrower becomes insolvent or fails generally to pay its debts as they become due;
- (G) the Lender shall cease to have a valid, perfected security interest in all or any material portion of the Collateral; or
- (H) E.ON AG shall cease to own, directly or indirectly, at least 80% of the voting capital stock of the Borrower;

then the Lender, upon notice to the Borrower, may declare the Loans to be immediately due and payable, whereupon the Loans will become immediately due and payable; *provided*, that if an Event of Default described in Section 7.1(D) exists or occurs, the Loans shall automatically, without notice of any kind, become immediately due and payable.

7.2 Rights and Remedies Generally. Subject to the subordination provisions of Section 8, upon the occurrence and continuance of an Event of Default, the Lender has, in addition to any other rights and remedies contained in this Agreement, all of the rights and remedies of a secured party under the Code or other applicable laws, all of which rights and remedies are cumulative, and none exclusive, to the extent permitted by law. Any single or partial exercise by the Lender of any right or remedy for a default or breach of any term, covenant, condition or agreement in this Agreement does not affect its rights and does not waive, alter, affect, or prejudice any other right or remedy to which the Lender may be lawfully entitled for the same default or breach.

7.3 Waiver of Demand. Demand, presentment, protest and notice of nonpayment are waived by the Borrower. The Borrower also waives the benefit of all valuation, appraisal and exemption laws.

7.4 Marshalling; Payments Set Aside. The Lender is under no obligation to marshal any assets in favor of the Borrower or any other party or against or in payment of any or all of the Liabilities. To the extent that the Borrower makes a payment or payments to the Lender or the Lender enforces its security interests or exercises its rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied will be revived and continue in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

8. SUBORDINATION.

8.1 Agreement to Subordinate.

(A) Terms of Subordination. The Lender and the Borrower agree that the lien granted by the Borrower hereunder to secure the Liabilities is subordinate, to the extent and in the manner set forth in this Agreement, to the lien of the First Mortgage Bond Indenture and any and all of the bonds outstanding from time to time thereunder (the "Senior Obligations"). Notwithstanding the order or time of creation, acquisition, attachment, or the order, time, or manner of perfection, or the order or time of filing or recordation of any document or instrument, or other method of perfecting a security interest or Lien on and against any of the Collateral or other assets of the Borrower, the Lender agrees that any Lien or security interest now or hereafter existing in and to the Collateral in favor of the Lender shall be and at all times remain subject and subordinate in all respects to any Lien or security interest which may now or hereafter at any time or from time to time be granted pursuant to the First Mortgage Bond Indenture on or in any or all of the Collateral as security for the Senior Obligations.

(B) Further Assurances. The Lender and the Borrower will, at the Borrower's expense and at any time and from time to time, promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary, or that the Bond Trustee may reasonably request, in order to protect any right or interest granted or purported to be granted by this Agreement or to enable the Bond Trustee to exercise and enforce its rights and remedies under this Agreement.

8.2 Administration of Collateral. The Bond Trustee shall have complete and sole discretion in, and shall not be liable to the Lender for, determining how, when and in what manner the Bond Trustee administers the Senior Obligations or forecloses or otherwise realizes upon the Collateral or exercises any rights or remedies of a secured party or lien creditor or any other rights with respect to the Collateral or otherwise takes any action with respect thereto. Without in any way limiting the foregoing, the Lender specifically acknowledges and agrees that the Bond Trustee may take such action as it deems appropriate to enforce the Senior Obligations and its Lien on and security interest in the Collateral, whether or not such action is beneficial or

detrimental to the Lender's interest. The Lender agrees that it shall not take any action to foreclose or otherwise realize upon the Collateral or exercise any rights or remedies of a secured party with respect to the Collateral, unless and until the Senior Obligations have been paid in full. Also without in any way limiting the foregoing, the Lender hereby expressly waives and releases any and all rights to have the Collateral or any part thereof marshaled upon any foreclosure, sale or other realization thereon. There shall be no obligation on the part of the Bond Trustee, at any time, to resort for payment of the Senior Obligations to any obligor thereon or any guarantor thereof, or to any other person or corporation, their properties or estates, or to resort to any other collateral or any other rights or remedies whatsoever, and the Bond Trustee shall have the right to foreclose or otherwise realize upon the Collateral upon which it has a security interest irrespective of whether or not other proceedings or steps are pending seeking resort to or realization upon or from any of the foregoing.

8.3 Delivery of Proceeds of Collateral. So long as the Senior Obligations are outstanding, the Lender will without demand or request being made upon it deliver any parts or proceeds of the Collateral which shall come into its possession, control or custody to the Bond Trustee for application as set forth in the First Mortgage Bond Indenture.

8.4 Agreement Not to Contest. The Lender hereby agrees that it shall not contest the validity, perfection, priority or enforceability of any security interest or Lien granted to the Bond Trustee pursuant to the First Mortgage Bond Indenture.

8.5 Release of Collateral. The Lender agrees that in the event the Bond Trustee shall come into the possession, custody and control of any property or assets of the Borrower as the result of any security interest granted to secure the Senior Obligations, the Bond Trustee may, to the extent the Bond Trustee does not apply the same to the payment or partial payment of the Senior Obligations, release the same to or upon the order of the Borrower, without notice, or accounting for the same, to the Lender or any other person, firm or corporation whomsoever, it being specifically understood and agreed that any property so released shall remain subject to all claims of the Lender and the Bond Trustee thereto in accordance herewith. Without limiting the foregoing, the Lender acknowledges and agrees that the Bond Trustee may from time to time in its discretion release proceeds of the Collateral in which the Bond Trustee has a security interest to the Borrower or otherwise deal with the Collateral in which the Bond Trustee has a security interest, without any notice or accounting to the Lender whatsoever.

8.6 Release of Security Interest. The Lender agrees that, whether or not a default has occurred in payment of the Loans, its Lien on the Collateral or any portion thereof shall automatically be released ipso facto as to all indebtedness secured thereby owing to the Lender if, when and to the same extent that the Bond Trustee releases its Lien on such Collateral or portion thereof. The Lender further hereby agrees to execute and deliver such further instruments and do such further acts as the Borrower or the Bond Trustee may deem necessary or proper to carry out more effectively the foregoing.

8.7 Obligations under this Agreement Not Affected. Except as specifically described in this Agreement, nothing contained in this Agreement or in any Note is intended to or impairs, as between the Borrower, its creditors other than the Bond Trustee and the Lender, the obligations of the Borrower, which are absolute and unconditional, to pay to the Lender the

Liabilities as and when they become due and payable in accordance with the terms of this Agreement, subject, however, to the terms of this Section 8. Except as specifically described in this Agreement, nothing contained in this Agreement or in any Note is intended to or affects the relative rights of the Lender and creditors of the Borrower other than the Bond Trustee.

8.8 Bankruptcy. The Lender agrees that in the event bankruptcy proceedings are instituted by or against the Borrower, the Bond Trustee may consent to the use of cash collateral or provide postpetition financing under section 364 of the United States Bankruptcy Code, 11 U.S.C. § 364, to the Borrower on such terms and conditions and in such amounts as the Bond Trustee, in its sole discretion, may decide. The Lender waives any rights it may have under applicable law to object to such use of such cash collateral or postpetition financing.

8.9 Third Party Beneficiary. The Bond Trustee shall be a third party beneficiary of this Section 8.

9. MISCELLANEOUS.

9.1 Amendments and Waivers. No modification or waiver of, nor any consent to the departure by the Borrower from, any provision of this Agreement will be effective unless it is in writing from the Lender and then such modification, waiver or consent will be effective only on the specific instance and for the purpose for which it is given.

9.2 Severability. Wherever possible, each provision of this Agreement must be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is prohibited by or invalid under applicable law, such provision is ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Agreement.

9.3 Notices. Except as otherwise expressly provided in this Agreement, any notice required or desired to be served, given or delivered under this Agreement must be in writing and is deemed to have been validly served, given or delivered (i) three days after deposit in the United States mails, with proper postage prepaid, (ii) when sent after receipt of confirmation if sent by telecopy or other similar facsimile transmission, (iii) one Business Day after deposit with a reputable overnight courier with all charges prepaid or (iv) when delivered, if hand delivered by messenger, all of which must be properly addressed to the party to be notified and sent to the address or number indicated on the signature page hereof or to such other address or number as each party designates to the other in the manner prescribed in this Section 9.3.

9.4 Counterparts. This Agreement and any amendment or supplement to this Agreement or any waiver granted in connection with this Agreement may be executed in any number of counterparts and by the different parties on separate counterparts and each such counterpart is deemed to be an original, but all such counterparts together constitute but one and the same Agreement.

9.5 Prior Agreements. The terms and conditions set forth in this Agreement supersede all prior agreements, discussions, correspondence, memoranda and understandings (whether written or oral) of the Borrower and the Lender concerning or relating to the subject matter of this Agreement.

9.6 Successors and Assigns. This Agreement is binding upon the Borrower and the Lender and their respective successors and assigns and inures to the benefit of the Borrower and the Lender and their respective successors and permitted assigns. The Borrower has no right to assign its rights or delegate its duties under this Agreement, without the prior written consent of the Lender. The Lender has the right to assign to any Affiliate of the Lender all or a portion of its rights and obligations under this Agreement. Upon any such assignment by the Lender, (i) the assignee becomes a party to this Agreement and, to the extent of such assignment, has all rights and obligations of the Lender under this Agreement and (ii) the Lender will, to the extent of such assignment, relinquish its rights and be released from its obligations under this Agreement. The Borrower and the Lender agree to execute and deliver such documents, and to take such other actions, as the other party may reasonably request to accomplish the foregoing.

9.7 CHOICE OF LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED FOR ALL PURPOSES IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF DELAWARE.

* * * * *

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

**[LOUISVILLE GAS AND ELECTRIC
COMPANY]
[KENTUCKY UTILITIES COMPANY]**

Address: 220 West Main Street
Louisville, Kentucky 40202
Attn: Treasurer
Facsimile: 502-627-4742

By: _____
Name: _____
Title: _____

FIDELIA CORPORATION

Address: 300 Delaware Avenue
Wilmington, Delaware 19801
Attn: Executive Vice President
Facsimile: 302-417-5913

By: _____
Name: _____
Title: _____

FORM OF NOTE

\$ _____

Date: _____

FOR VALUE RECEIVED, on _____ (the "Maturity Date") the undersigned, [LOUISVILLE GAS AND ELECTRIC COMPANY] [KENTUCKY UTILITIES COMPANY], a Kentucky [and Virginia] corporation (the "Borrower"), unconditionally promises to pay to FIDELIA CORPORATION (the "Lender"), at the Lender's office at 300 Delaware Avenue, Wilmington, Delaware 19801, or at such other place as the holder of this Note may from time to time designate in writing, in lawful money of the United States of America and immediately available funds, the principal sum of \$ _____ plus interest at rate of _____%. This Note is referred to in and was executed and delivered under the Loan and Security Agreement dated as of _____, 2003 (the "Loan Agreement") between the Borrower and the Lender, to which reference is made for a more complete statement of the terms and conditions under which the loan evidenced by this Note was made and is to be repaid. Capitalized terms used in this Note and not otherwise defined have the meanings assigned to such terms in the Loan Agreement.

Unless otherwise paid sooner under the provisions of Section 2.6(c) or 7.1 of the Loan Agreement, the principal indebtedness represented by this Note is payable on the Maturity Date. The Borrower further promises to pay interest on the outstanding principal amount of the indebtedness represented by this Note from the date of this Note until payment in full at the applicable rates determined in accordance with Section 2.3(A) of the Loan Agreement.

If payment under this Note becomes due and payable on a Business Day, the due date of such payment is extended to the next succeeding Business Day. In no contingency or event whatsoever will interest charged under this Note, however such interest may be characterized or computed, exceed the highest rate permissible under any law which a court of competent jurisdiction, in a final determination, deems applicable to this Note. In the event that such a court determines that the Lender has received interest under this Note in excess of the highest rate applicable to this Note, any such excess interest collected by the Lender is deemed to have been a repayment of principal and be so applied.

The obligations of the Borrower under this Note is secured by certain collateral as and to the extent set forth in the Loan Agreement. This Note is subject to prepayment at the option of the Borrower as provided in the Loan Agreement.

DEMAND, PRESENTMENT, PROTEST AND NOTICE OF NONPAYMENT AND PROTEST ARE WAIVED BY THE BORROWER.

This Note has been delivered and is deemed to have been made, at Wilmington, Delaware and will be interpreted in accordance with the internal law as (as opposed to conflicts of law provisions) and decisions of the State of Delaware. Whenever possible each provision of this Note will be interpreted in such manner as to be effective and valid under applicable law, but if

any provision of this Note is prohibited by or invalid under applicable law, such provision will be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note. Whenever in this Note reference is made to the Lender or the Borrower, such reference is deemed to include, as applicable, a reference to their respective successors and assigns. The provisions of this Note are binding upon and inure to the benefit of said successors and assigns. The Borrower's successors and assigns include, without limitation, a receiver, trustee or debtor-in-possession of or for the Borrower.

**[LOUISVILLE GAS AND ELECTRIC COMPANY]
[KENTUCKY UTILITIES COMPANY]**

By: _____
Title:

Kentucky Utilities Company
(as Borrower)

Fidelia Corporation
(as Lender)

LOAN AGREEMENT

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THIS AGREEMENT made on _____

Between

KENTUCKY UTILITIES COMPANY, a Kentucky and Virginia corporation,
as borrower (the *Borrower*); and

FIDELIA CORPORATION, a Delaware corporation, as lender (the
Lender).

Whereas

(A) The Lender and the Borrower hereby enter into an agreement for the
provision by the Lender to the Borrower of a loan in the amount of
_____ (the Loan Amount).

Now it is hereby agreed as follows:

1. Definitions

1.1 In this Agreement

Business Day means a day on which banks in New York are generally
open

Default Interest Rate means: the rate, as determined by the Lender,
applying to the principal element of an overdue amount under Clause 6.3,
calculated as the sum of the interest rate in effect immediately before the
due date of such amount, plus 1%;

Effective Date shall have the meaning given to it in Clause 2.1;

Final Repayment Date means _____;

Interest Payment Date means _____ and _____ of each year
during the term of this agreement, provided, that:

any Interest Payment Date which is not a Business Day shall be extended
to the next succeeding Business Day;

Loan Amount means _____;

Maturity Date means the Final Repayment Date;

Request means a request for the Loan Amount from the Borrower to the Lender under the terms of clause 3.1;

Termination Event means an event specified as such in Clause 7;

Value Date means the date upon which cleared funds are made available to the Borrower by the Lender pursuant to a Request made in accordance with Clause 3.1. Such date shall be a Business Day as defined herein.

2. Term Loan

- 2.1 This Agreement shall come into effect on _____ (the "Effective Date").
- 2.2 The Lender grants to the Borrower upon the terms and conditions of this Agreement a term loan in an amount of _____.
- 2.3 The new indebtedness shall be evidenced by a note in substantially the form of Exhibit "A" attached hereto.

3. Availability of Requests

- 3.1 On the Effective Date, the Borrower will submit a request (the "Request") to the Lender for the Loan Amount, such Request specifying the Value Date, the Maturity Date and the bank account to which payment is to be made. The Request shall be submitted to the Lender by the Borrower and delivered in accordance with Clause 9.3.

4. Interest

- 4.1 The rate of interest on the Loan Amount is x.xx%.
- 4.2 Interest shall accrue on the basis of a 360-day year consisting of twelve 30 day months upon the Loan Amount.
- 4.3 Interest shall be payable in arrears on each Interest Payment Date.

5. Repayment and Prepayment

- 5.1** The Borrower shall repay the Loan Amount together with all interest accrued thereon and all other amounts due from the Borrower hereunder on the Final Repayment Date, whereupon this Agreement shall be terminated.
- 5.2** On any Interest Payment Date, and with at least three business day's prior written notice, the Borrower shall be entitled to prepay any amount of the loan outstanding, provided such payment is not less than \$1,000,000 and, provided further, the Borrower shall pay a prepayment charge equal to the present value of the difference between (i) the interest payable provided in this loan agreement and (ii) the interest payable at the prevailing interest rate at the time of prepayment, for the period from the date of prepayment through the Maturity Date, which difference, if negative, shall be deemed to be zero. The present value will be determined using the prevailing interest rate at the time of the prepayment as the discount rate.
- 5.3** A certificate from the Lender as to the amount due at any time from the Borrower to the Lender under this Agreement shall, in the absence of manifest error, be conclusive.

6. Payments

- 6.1** All payments of principal to be made to the Lender by the Borrower shall be made on the Final Repayment Date, or on an Interest Payment Date under Clause (5.2) to such account as the Lender shall have specified.
- 6.2** Interest shall be payable in arrears on each Interest Payment Date.
- 6.3** If and to the extent that full payment of any amount due hereunder is not made by the Borrower on the due date then, interest shall be charged at the Default Interest Rate on such overdue amount from the date of such default to the date payment is received by the Lender.

7. Termination Events

- 7.1 The Borrower shall notify the Lender of any Event of Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of it.
- 7.2 The following shall constitute an Event of Default hereunder:
- 7.2.1 Default is made by the Borrower in the payment of any sum due under this Agreement and such default continues for a period of 10 Business Days;
 - 7.2.2 Bankruptcy proceedings are initiated against the Borrower;
 - 7.2.3 The Borrower leaves the E.ON Group (i.e. the companies consolidated in EON AG's balance sheet);
 - 7.2.4 Securities and Exchange Commission or Public Utility Holding Company Act (PUHCA) requirements prohibit the transactions hereunder.

If a Termination Event occurs under Clause (7.2.2) of this section, the Loan Amount outstanding together with interest will become due and payable immediately.

If a Termination Event occurs according to Clauses (7.2.1) or (7.2.3) or (7.2.4) of this Section, Lender shall at its discretion grant Borrower a reasonable grace period unless such grace period shall be detrimental to the Lender. If the Termination Event is uncured at the expiration of such period, the Loan Amount outstanding together with interest will become due and payable immediately.

8. Operational Breakdown

- 8.1 The Borrower is not liable for any damages incurred by the Lender and the Lender is not liable for any damages incurred by the Borrower caused by Acts of God or other circumstances incurred by one party for which the other party cannot be held responsible (i.e. power outages, strikes, lock-outs, domestic and foreign acts of government and the like).

9. Notices

- 9.1 Each communication to be made in respect of this Agreement shall be made in writing but, unless otherwise stated, may be made by facsimile transmission or letter.
- 9.2 Communications to the Borrower shall be addressed to: Kentucky Utilities, 220 W. Main St., Louisville, KY 40202, Attn: Treasurer fax# (502) 627-4742 and to One Quality Street, Lexington, KY 40507, except for confirmations which should be sent to the attention of Mimi Kelly.
- 9.3 Communications to the Lender shall be addressed to: Fidelia Corporation, 300 Delaware Avenue, Suite 545, Wilmington, Delaware 19801, fax# (302) 427-5913, Attn: Executive Vice President

10. Assignment

- 10.1 The Lender may at any time assign, novate or otherwise transfer all or any part of its rights and obligations under this Agreement to any affiliate of the Lender.

11. Severability

- 11.1 If any of the provisions of this Agreement becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

12. Counterparts

- 12.1 This Agreement may be executed in any number of counterparts that shall together constitute one Agreement. Any party may enter into an Agreement by signing any such counterpart.

13. Law

13.1 This Agreement shall be governed by and construed for all purposes in accordance with the laws of Delaware.

IN WITNESS whereof the parties have executed this Agreement the day and year first above written.

SIGNED by _____)
for and on behalf of _____)
Kentucky Utilities Company)
in the presence of: _____)

SIGNED by _____)
for and on behalf of _____)
Fidelia Corporation)
in the presence of: _____)

EXHIBIT "A"

PROMISSORY NOTE

U.S. _____

Louisville, KY, _____

Kentucky Utilities Company ("KU"), for value received, hereby promises to pay to the order of FIDELIA Corporation ("FIDELIA") in lawful money of the United States of America (in freely transferable U.S. dollars and in same day funds), in accordance with the method of payment specified in that certain Loan Agreement dated as of _____, between FIDELIA and KU ("the Agreement"), the principal sum of _____, which amount shall be payable at such times as provided in the Agreement.

KU promises also to pay interest on the unpaid principal amount hereof in like money and in like manner at the rates which shall be determined in accordance with the provisions of the Agreement, said interest to be payable at the times provided for in the Agreement. This Note is referred to in the Agreement and is entitled to the benefits thereof and the security contemplated thereby. This Note evidences a loan made by FIDELIA, during such time as such loan is being maintained. This Note is subject to prepayment as specified in the Agreement. In case KU defaults on the loan, the principal and accrued interest on this Note may be declared to be due and payable in the manner and with the effect provided in the Agreement.

KU hereby waives presentment, demand, protest or notice of any kind in connection with this Note.

Kentucky Utilities Company

By: _____

<u>Term</u>	<u>E.ON AG Cost</u>	<u>Independent Financing</u>	<u>Intercompany from Fidelia</u>
2 years	2.77%	2.67%	2.67%
7 years	4.55%	4.33%	4.33%
10 years	5.03%	4.79%	4.79%
12 years	5.42%	5.24%	5.24%

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED MAY 11, 1993

\$123,500,000**Kentucky Utilities Company****\$61,500,000****First Mortgage Bonds, Series Q, 5.95%, due June 15, 2000****\$62,000,000****First Mortgage Bonds, Series Q, 6.32%, due June 15, 2003**

The \$61,500,000 First Mortgage Bonds, Series Q, 5.95%, due June 15, 2000 are referred to as the "2000 Bonds" and the \$62,000,000 First Mortgage Bonds, Series Q, 6.32%, due June 15, 2003 are referred to as the "2003 Bonds." Interest on the Series Q Bonds is payable semi-annually on June 15 and December 15 of each year, commencing December 15, 1993. The Series Q Bonds are not subject to redemption prior to maturity. The Series Q Bonds will be issuable only in fully registered form in denominations of \$1,000 and integral multiples thereof. See "Description of Bonds."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	<u>Initial Public Offering Price(1)</u>	<u>Underwriting Commission(2)</u>	<u>Proceeds to Company(1)(3)</u>
Per 2000 Bond	100%	.625%	99.375%
Total	\$61,500,000	\$384,375	\$61,115,625
Per 2003 Bond	100%	.650%	99.350%
Total	\$62,000,000	\$403,000	\$61,597,000

(1) Plus accrued interest from June 15, 1993.

(2) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

(3) Before deducting expenses payable by the Company, estimated at \$375,000.

The Series Q Bonds are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that the Series Q Bonds will be ready for delivery at the offices of Goldman, Sachs & Co., New York, New York, on or about June 29, 1993.

Goldman, Sachs & Co.**J.J.B. Hilliard, W.L. Lyons, Inc.**

The date of this Prospectus Supplement is June 15, 1993.

KENTUCKY UTILITIES COMPANY

FINANCIAL EXHIBIT
(807 KAR 5:001 SEC. 6)

NOVEMBER 30, 2002

(1) Amount and kinds of stock authorized.

80,000,000 shares of Common Stock, without par value.
5,300,000 shares of Cumulative Preferred Stock, without par value.
2,000,000 shares of Preference Stock without par value.

(2) Amount and kinds of stock issued and outstanding.

Common Stock:

37,817,878 shares issued and outstanding.

Preferred Stock

\$100 stated value, 4-3/4% cumulative, 200,000 shares issued and outstanding.
\$100 stated value, 6.53 % cumulative, 200,000 shares issued and outstanding.

(3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets otherwise.

Preferred Stock outstanding has cumulative provision on dividends.

(4) Brief description of each mortgage on property of applicant, giving date of execution name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of the indebtedness actually secured, together with any sinking fund provisions.

Mortgage indenture dated May 1, 1947, executed by and between the Company and U.S. Bank National Association (the "Trustee") and Richard Prokosch, as trustees and amended by the several indentures supplemental thereto. As of November 30, 2002, the amount of indebtedness secured thereby was \$484,830,000. The indenture does not fix an overall limitation on the aggregate principal amount of bonds of all series that may be issued or outstanding thereunder.

- (5) Amount of bonds authorized, and amount issued giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with an amount of interest paid thereon during the last fiscal year.

First Mortgage Bonds authorized and issued by Kentucky Utilities Company at November 30, 2002, secured by a first mortgage lien, subject only to permitted encumbrances, on all or substantially all the permanent fixed properties, other than excluded property, owned by the Company:

Series	Date of Issue	Date of Maturity	Rate of Interest	Principal Amount		Interest Expense Year Ended November 30, 2002
				Authorized	Outstanding at November 30, 2002	
P	05/15/92	05/15/07	7.92%	\$ 53,000,000	\$ 53,000,000	\$ 4,197,600
P	05/15/92	05/15/27	8.55%	33,000,000	33,000,000	2,821,500
Q	06/15/93	06/15/03	6.32%	62,000,000	62,000,000	3,918,400
R	06/01/95	06/01/25	7.55%	50,000,000	50,000,000	3,775,000
S	01/15/96	01/15/06	5.99%	36,000,000	36,000,000	2,156,400
Pollution Control Bonds						
1B	08/01/92	02/01/18	6.25%	\$ 20,930,000	\$ -	737,637
2B	08/01/92	02/01/18	6.25%	2,400,000	-	84,583
3B	08/01/92	02/01/18	6.25%	7,200,000	-	253,750
4B	08/01/92	02/01/18	6.25%	7,400,000	-	260,799
8	09/15/92	09/15/16	7.45%	96,000,000	-	6,514,175
9	12/01/93	12/01/23	5.75%	50,000,000	50,000,000	2,875,000
10	11/01/94	11/01/24	Variable	54,000,000	54,000,000	878,647
11	05/01/00	05/01/23	Variable	12,900,000	12,900,000	199,663
12	02/01/02	02/01/32	Variable	20,930,000	20,930,000	170,737
13	02/01/02	02/01/32	Variable	2,400,000	2,400,000	19,578
14	02/01/02	02/01/32	Variable	7,400,000	7,400,000	60,366
15	02/01/02	02/01/32	Variable	7,200,000	7,200,000	58,734
16	07/01/02	10/01/32	Variable	96,000,000	96,000,000	242,987
					484,830,000	29,225,556
Interest rate swap						(7,240,297)
Long term debt mark to market					16,938,624	1,894,997
Total					\$ 501,768,624	\$ 23,880,256

- (6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest in whose favor, together with amount of interest paid thereon during the last fiscal year.

<u>Payee</u>	<u>Date of Issue</u>	<u>Amount</u>	<u>Rate of Interest</u>	<u>Date of Maturity</u>	<u>Interest Paid Year Ended November 30, 2002</u>
LG&E Energy Corp.	12/31/00	\$ 112,089,650	Various	Various	\$ 1,015,102

- (7) Other indebtedness, giving same by classes and describing security, if any with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

None, other than current and accrued liabilities.

- (8) Rate and amount of dividends paid during the five previous fiscal years, and amount of capital stock on which dividends were paid. (1)

Dividends on Common Stock, without par value

<u>Year</u>	<u>Amount Paid</u>
1997	66,559,000
1998	58,091,000
1999	73,000,000
2000	94,500,000
2001	30,500,000
2002	-

- (1) As of May 1998, the 37,817,878 shares are all owned by LG&E Energy Corp. and all dividends declared by KU's Board of Directors are paid to LG&E Energy Corp.

Dividends on 4 3/4% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, the Company declared and paid dividends of \$1.1875 per share on the 200,000 outstanding shares of 4 3/4% Cumulative Preferred Stock, \$100 stated value, for a total of \$ 237,500 per quarter. On an annual basis the dividend amounted to \$4.75 per share, or \$950,000.

Dividends on 6.53% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, the Company declared and paid dividends of \$1.6325 per share on the 200,000 outstanding shares of 6.53% Cumulative Preferred Stock, \$100 stated value, for a total of \$326,500 per quarter. On an annual basis the dividend amounted to \$6.53 per share, or \$1,306,000.

(9) Detailed Income Statement and Balance Sheet

Monthly Financial and Operating Reports are filed each month with the Commission. Our most recent mailing covered financial statements for periods through November 30, 2002. Attached are detailed Statements of Income, Balance sheets and Retained Earnings for the Company for the period ending November 30, 2002.

KENTUCKY UTILITIES COMPANY
(807 KAR 5:001, Section 11, Item 2(a))

The 2001 Form 10-K Annual Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 (combined form 10-K, separately filed by Louisville Gas and Electric Company and Kentucky Utilities Company) contains Statements of Income, Balance Sheets, Statements of Retained Earnings, Statements of Cash Flows, Statements of Capitalization, Statements of Other Comprehensive Income, Management's Discussions and Analysis of Financial Condition and Results of Operation, and Notes to Financial Statements, for Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"). The Annual Report, the FERC Form 1, and subsequent monthly reports of KU have been previously filed with the Commission.

We have also attached the succeeding three pages, detailed Statements of Income, Balance Sheets, and Statements of Retained Earnings for KU for the period ending November 30, 2002.

KENTUCKY UTILITIES COMPANY AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET AS OF NOVEMBER 30, 2002

ASSETS AND OTHER DEBITS	CONSOLIDATED	LIABILITIES AND OTHER CREDITS	CONSOLIDATED
Utility Plant		Capitalization	
Utility Plant at Original Cost.....	3,256,781,977	Common Stock.....	308,139,978
Less Reserves for Depreciation & Amortization.....	1,538,958,828	Common Stock Expense.....	(594,394)
Total.....	1,717,823,149	Paid-In Capital.....	15,000,000
		Other Comprehensive Income.....	-
Investments - At Cost		Retained Earnings.....	483,305,168
Nonutility Property-Less Reserve.....	897,022	Unappropriated Undistributed Subsidiary Earnings.....	5,711,735
Investments in Subsidiary Companies.....	7,007,535	Total Common Equity.....	811,562,485
Investments in KUKU-R.....	-	Preferred Stock.....	40,000,000
Ohio Valley Electric Corporation.....	230,000	First Mortgage Bonds.....	422,830,000
Other.....	724,500	Other Long-Term Debt.....	-
Special Funds.....	5,262,758	Long-Term Debt Marked to Market.....	16,938,624
Total.....	14,141,814	Total Long-Term Debt.....	439,768,624
Current and Accrued Assets		Total Capitalization.....	1,291,331,109
Cash.....	3,947,327	Current and Accrued Liabilities	
Special Deposits.....	102,929	Advances from Associated Companies.....	-
Temporary Cash Investments.....	-	Long-Term Debt Due in 1 Year.....	62,000,000
Accounts Receivable-Less Reserve.....	42,396,570	Notes Payable.....	-
Notes Receivable from Assoc. Companies.....	-	Notes Payable to Associated Companies.....	112,089,650
Notes Receivable from KUKU-R.....	-	Accounts Payable.....	45,371,471
Accounts Receivable from Assoc Companies.....	6,630,884	Accounts Payable to Associated Companies.....	18,419,153
Materials & Supplies-AI Average Cost.....	-	Customer Deposits.....	11,936,177
Fuel.....	43,917,561	Taxes Accrued.....	10,562,229
Plant Materials & Operating Supplies.....	21,616,180	Interest Accrued.....	4,288,075
Stores Expense.....	4,818,624	Dividends Declared.....	-
Allowance Inventory.....	81,090	Misc. Current & Accrued Liabilities.....	3,274,635
Prepayments.....	1,169,372	Total.....	267,941,389
Miscellaneous Current & Accrued Assets.....	1,336,541	Deferred Credits and Other	
Total.....	126,017,079	Accumulated Deferred Income Taxes.....	316,868,885
		Investment Tax Credit.....	8,710,081
Deferred Debits and Other		Regulatory Liability - Deferred Taxes.....	54,943,455
Unamortized Debt Expense.....	4,857,402	Customer Advances for Construction.....	1,498,592
Unamortized Loss on Bonds.....	9,530,650	Other Deferred Credits.....	14,144,566
Accumulated Deferred Income Taxes.....	75,669,056	Misc. Long-Term Liabilities.....	29,978,207
Deferred Regulatory Assets.....	66,838,504	Misc. Long-Term Liab. Due to Assoc. Co.....	-
Other Deferred Debits.....	24,137,804	Accum Provision for Post-Retirement Benefits.....	53,619,174
Total.....	181,053,416	Total.....	479,762,960
Total Assets and Other Debits.....	2,039,035,458	Total Liabilities and Other Credits.....	2,039,035,458

KENTUCKY UTILITIES COMPANY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF INCOME
NOVEMBER 30, 2002

Exhibit 7
Page 7 of 9

YEAR ENDED CURRENT MONTH

	<u>CONSOLIDATED</u>
Electric Operating Revenues.....	867,286,316
Rate Refunds.....	<u>4,372,494</u>
Total Operating Revenues.....	<u>871,658,810</u>
Operating Expenses	
Fuel	248,403,959
Power Purchased.....	156,684,597
Other Operation Expenses.....	90,095,480
Maintenance.....	59,241,001
Depreciation.....	86,431,186
Amortization Expense.....	3,157,999
Taxes	-
Federal Income.....	43,448,103
State Income.....	10,818,104
Deferred Federal Income - Net.....	15,391,174
Deferred State Income - Net.....	4,977,553
Federal Income - Estimated.....	(557,911)
State Income - Estimated.....	(274,601)
Property and Other.....	14,032,331
Loss (Gain) from Disposition of Utility Plant.....	-
Loss (Gain) from Disposition of Allowances.....	<u>(277,303)</u>
Total Operating Expenses.....	<u>731,571,672</u>
Net Operating Income.....	140,087,138
Other Income Less Deductions	
Interest and Dividend Income.....	721,840
Other Income Less Deductions.....	10,985,980
AFUDC - Equity.....	<u>61,620</u>
Total Other Income Less Deductions.....	<u>11,769,441</u>
Income Before Interest Charges.....	<u>151,856,579</u>
Interest on Long Term Debt.....	23,880,256
Amortization of Debt Expense - Net.....	1,229,841
Other Interest Expenses.....	4,444,370
AFUDC - Borrowed Funds.....	<u>(32,559)</u>
Total Interest Charges.....	<u>29,521,909</u>
Net Inc Before Cumulative Effect of Acctg Chg.....	122,334,670
Cumulative Effect of Accounting Chg Net of Tax....	-
Net Income.....	122,334,670
Preferred Dividend Requirements.....	<u>2,256,007</u>
Earnings Available for Common.....	<u>120,078,663</u>

KENTUCKY UTILITIES COMPANY AND SUBSIDIARY
ANALYSIS OF RETAINED EARNINGS
NOVEMBER 30, 2002

Exhibit 7
Page 8 of 9

	<u>Year Ended Current Month</u> Total Retained Earnings
Balance Beginning of Period.....	399,138,459
Net Income To Date.....	122,334,670
Adjust for Equity in Subsidiary Earnings for Year	
-EE Inc.....	(6,996,976)
Dividends Rec'd Current Year	
-EE Inc.....	1,585,021
Preferred Stock Dividends.....	(2,256,007)
Common Stock Dividends.....	(30,500,000)
Preferred Stock Redemption Exp. and Other.....	
Current Year Provision - Appropriated.....	
Balance End of Period.....	<u><u>483,305,168</u></u>

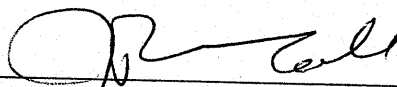
KENTUCKY UTILITIES COMPANY
(801 KAR 5:001, Section 11, Item 2(b))

The Applicant's Indenture of Mortgage or Deed of Trust dated May 1, 1947, as heretofore amended, securing Applicant's outstanding First Mortgage Bonds has heretofore been filed with the Commission. The most recent Supplemental Indenture, dated September 1, 2002, is on file with the Commission in Case No. 2002-231 (In the Matter of: Application of Kentucky Utilities Company for an Order Authorizing the Issue of Securities).

SECRETARY'S CERTIFICATE

I, John R. McCall, do hereby certify that I am the duly qualified and acting Secretary of Kentucky Utilities Company (the "Company"), a Kentucky and Virginia corporation, that as Secretary, I have access to all original records of the Company and that I am authorized to make certified copies of Company records on its behalf. I further hereby certify that the attached resolution was adopted by the Board of Directors of the Company by unanimous written consent in lieu of a meeting, dated December 5, 2002, and that the attached is a full, true and correct copy of said resolutions as they appear on the records of the Company and that the same have not been altered, amended or repealed.

IN WITNESS WHEREOF, I have signed and affixed the seal of the Company this 14th day of February, 2003.



John R. McCall
Executive Vice President, General
Counsel and Secretary

**ACTION OF THE BOARD OF DIRECTORS
OF
KENTUCKY UTILITIES COMPANY
TAKEN BY WRITTEN CONSENT**

December 5, 2002

APPROVAL OF INTERCOMPANY LOAN FACILITIES

WHEREAS, the Company desires to enter into intercompany loan agreements with Fidelia Corporation or other affiliates of E.ON North America, Inc. (collectively, "Fidelia"), in an amount of up to \$250 million (collectively, the "Intercompany Loans"), to enable the Company to borrow funds to be used for general corporate purposes of the Company or its subsidiaries; and

NOW, THEREFORE, BE IT RESOLVED, that the Company is hereby authorized and directed to proceed with the Intercompany Loans as generally described in these resolutions; and

FURTHER RESOLVED, that the appropriate officers of the Company be, and each of them hereby is, authorized and directed, for and on behalf of the Company to take such actions and to execute and deliver the Intercompany Loans and such other agreements and documents, including changes thereto, as they shall, in their discretion, deem necessary, appropriate or advisable to consummate the transactions contemplated by these resolutions, with the taking of such actions and the execution of such agreements or documents conclusively to evidence the authorization thereof by the Board of Directors; and

FURTHER RESOLVED, that all actions heretofore or hereafter taken by any officer of the Company in connection with the transactions contemplated by these resolutions be, and they hereby are, approved, ratified and confirmed in all respects.